



July 16, 2008

Honorable Charmaine Tavares  
Mayor of Maui County  
200 South High Street  
Wailuku, Hawaii 96793-2155

By FAX: (808) 270-7870

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FAXED  
PUBLIC UTILITIES  
COMMISSION

Dear Mayor Tavares,

The Chairman, Tan Sri Quek Leng Chan, has received your letter dated July 10 which focuses on further issues in relation to the Molokai utilities.

The Chairman has asked again that I respond on his behalf, as he directs local issues to the relevant principal executive in the region.

From the outset, the position of Molokai Properties Limited in relation to the utilities has not changed.

At the meeting with you in my office in late March, I gave you written information that clearly showed the utilities were facing a huge deficit and that we estimated MPL could only fund those utilities until the end of August. I told you MPL had only limited financial resources and the company had recently shut its property because it could no longer incur operating losses to the extent of \$3.5 million per annum.

The same information concerning the financial state of the utilities was presented personally by me to the Public Utilities Commission (PUC) and to representatives of the Governor. Further detailed financial information has since been supplied to the PUC at its request as it investigates a rate increase for MPL. To date, all information requested by the PUC has been supplied in full and within the timeframe requested.

The advice to all parties that the utilities cannot be funded past the end of August is simply a commercial reality. In no way is this "commercial decision" intended to exert pressure on any entity to take over the systems.

Nevertheless, there is much evidence from your ratepayers on Molokai as shown by submissions at the PUC hearing on Molokai today, that they have a strong preference for the county to become their water provider.

I also note your offer to put us in touch with two companies who are interested in either operating or purchasing the two Molokai water utilities.

We have no interest in having an operator taking over running the systems as this merely would increase our costs. However if you know of companies willing to purchase the Molokai systems, we would be happy to hear from you.

Very truly yours

A handwritten signature in black ink, appearing to read 'Peter A. Nicholas', with a stylized, cursive script.

Peter. A. Nicholas  
Executive Director

CC: Public Utilities Commission  
Senator D K Inouye  
Senator D Akaka  
Representative Mazie Hirono  
Edward Kubo, US Attorney  
Mark Bennett, Attorney-General  
Councilman Danny Mateo  
Abbey Mayer, State Department of Planning  
Alexis Strauss, US EPA, Region 1X  
Tan Sri Quek Leng Chan.